

PRELIMINARY
MEMORANDUM OF UNDERSTANDING (M.O.U.)

&

TIME TABLE
FOR
WEST SPRAY FIELD EXCHANGE

Goal: McKays' & Schiesswohl agree to set a goal for establishing preliminary M.O.U. agreement by November 26, 1992

McKays' & D.O.E. will exchange 94 acres in N.E. 1/4 of Section 15, for 94 acres lost in W. Spray Field area. (Northeast 1/4 of Section 9).

McKays' agree to give up surface mineral ownership in the 94 acres northeast 1/4 of Section 9 exchange area as part of the final agreement. Receiving the same surface minerals in Section 15 in trade.

McKays' intend to add the south 1/2 of Section 15, 320 acres. Minerals already owned by McKay/Church ownership. Work planned for this area include:

Mining & processing of all surface minerals; Clay, Sand, Gravel, Rock, and all others by product minerals. McKays' to have rights to mine process, plus reclamation rights & obligations.

If McKays' or others may successfully negotiate with Union Pacific Railroad (U.P.R.R.) for their minerals in Section 15, D.O.E. will agree not to unreasonably object to adding this property to the McKays' planned mining operation subject to environmental assessment.

McKays' recognize there may be wetland considerations & set back requirements in the 94 acre portion being exchanged in the N.E. 1/4 of Section 15. McKays' agree to work with and through this problem.

D.O.E. will arrange for McKays' to have access to south 1/2 of Section 15 for sub surface minerals investigation test holes. McKays' agree to back fill, regrade, and seed the test hole areas upon completion of their testing.

D.O.E. will administrate & fund all environmental assessments, appraisals, surveys, and title work at their own expense in a timely manner.

D.O.E. may utilize a reasonable flat dollar amount to cover to cost of McKay re-zoning & re-permitting for Section 15. Reasonable amount to be determined in the future.

D.O.E. will furnish any existing drill logs, and well logs to the McKays'.

McKays' and D.O.E. agree that time is of the essence and agree to work diligently to accomplish this exchange in a timely manner.

McKays agree to access the property through Section 21 - owned by Perry McKay, South to Hwy 72, or through Section 16 West to Hwy 93.